

Corporate Governance Practices

The Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") provide for code provisions (the "Code Provisions") and recommended best practices with respect to: (1) composition and procedures of the Board; (2) remuneration structure of directors and senior management; (3) accountability and audit; (4) delegation by the Board and (5) communication with shareholders for corporate governance practices by listed companies. Other than the disclosures made in the section headed "(1) Board of Directors" below, the Company confirms that for the year ended 31 December 2006, it has complied with all the Code Provisions.

(1) Board of Directors

To serve the best interests of the Company and its shareholders, the Board of Directors is responsible for reviewing and approving major corporate matters including business strategies and budgets, major investments, capital market operations, mergers and acquisitions, as well as senior officers' appointments. The Board is also responsible for reviewing and approving the announcements periodically published by the Company regarding its business results and operating activities.

The Board membership maintains wide representation. Members of the Board consist of outstanding persons from different professions in mainland China, Hong Kong and overseas. The Board comprises eight executive directors, four independent non-executive directors and one non-executive director. Mr. Chang Xiaobing has been the Chairman and CEO of the Company since December 2004. Mr. Shang Bing has been the Company's President since November 2004. Mr. Chang Xiaobing is responsible for chairing the Board of Directors and for all material affairs, including development, business strategy, operation and management of the Company. Mr. Shang Bing is responsible for the daily operation and management of the Company. Under the Code Provisions, the roles and responsibilities of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board of Directors understands that the principle of the Code Provision is to clearly separate the management of the Board from the daily management of the Company so as to ensure balance of power and authority. The Board of Directors believes that at the present stage, Mr. Chang Xiaobing and Mr. Shang Bing have achieved the aforesaid purpose of separating responsibilities. These arrangements also facilitate the formulation and implementation of the Company's strategies in a more effective manner so as to improve the Company's effectiveness in business development.

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All independent non-executive directors and non-executive directors of the Company are influential members of the society and possess good knowledge and experience in different aspects. They have been making active contributions to the development of the Company. They have kept close contact with the management and often actively express different opinions on matters relating to the shareholders and the capital market at the board meetings. These views and opinions facilitate the Board in their consideration of the shareholders' best interests. All independent non-executive directors, except for the equity interests and directors' remuneration disclosed in this annual report, do not have any business or financial interests with the Company, its holding company or subsidiaries, and have confirmed their independence to the Company. Personal particulars are set out in pages 12 to 16 of this annual report. The functions of non-executive directors include, but are not limited to, attending the board meetings, making independent judgments at meetings, playing leading role in resolving any potential interest conflicts, serving on committees by invitation and carefully examining whether the performance of the Company has reached the planned corporate targets and objectives, and monitoring and reporting on matters related to the performance of the Company.

In considering the nomination and appointment of new directors and senior management, the Board identify candidates within the Company and in the human resources market widely after considering the Company's needs for new directors and senior management. After obtaining consent from the candidate for the nomination and based on the Company's actual needs, the Company convenes a board meeting comprising of independent non-executive directors and the non-executive director to consider the qualifications of the candidates for preliminary selection. The number of board meetings held during the year and the attendance of directors are detailed in page 20 of this annual report. Under the Code Provisions, non-executive directors shall be appointed for specific terms and offer themselves for re-election, and all newly appointed directors shall be elected by shareholders at the first general meeting following their appointment pursuant to the Company's articles of association. The Company's non-executive directors are not appointed for specific terms but are subject to retirement by rotation at the general meeting pursuant to the Company's articles of association and are subject to re-election by shareholders pursuant to the relevant requirements. All directors of the Company are subject to retirement by rotation at least once every three years. Mr. Shang Bing, Ms. Li Jianguo, Mr. Yang Xiaowei, Mr. Wu Jinglian and Mr. Shan Weijian, will be due for re-election by shareholders at the annual general meeting to be held in May 2007. Personal particulars of the proposed

directors and their proposed remuneration are set out in pages 12 to 16 and pages 58 to 61 of this annual report.

Following their appointment, all newly appointed directors are provided with comprehensive orientation information to ensure that they have proper understanding of the Company's operation and businesses, full understanding of their responsibilities under the Listing Rules, applicable regulatory requirements, and the Company's business and governance policies.

The Board convenes meetings regularly and ensures that all directors have opportunities to include issues for discussion in the agenda. Notices of the board meetings are delivered to the directors at least 14 days before holding of the meeting. The Company delivers all documents for the meetings to the directors at least one week on a best endeavour basis (and ensures no less than three days) before holding of the meetings. The company secretary keeps close contact with all directors and ensures operation of the Board and all committees is in line with the procedures. Additionally, the company secretary is responsible for compiling and regularly submitting the minutes of board meetings and committee meetings to all directors for their review. Except for the period from 17 January 2006 to 21 February 2006 when the former company secretary resigned and the current company secretary was yet to be appointed, all directors have access to the advice and services of the company

secretary with a view of ensuring that board procedures, and all applicable rules and regulations are followed. The resignation of the former company secretary and appointment of the current company secretary were announced by the Company on 17 January 2006 and 22 February 2006, respectively.

Directors may obtain independent professional advice, upon request, at the expense of the Company. In addition, if substantial shareholders or directors have significant conflicts of interest in a matter to be resolved, the Board will convene a board meeting in respect of the matter and those directors who have conflicts of interest must abstain from voting and are not counted in the quorum of the meeting. Furthermore, the Chairman has a clear responsibility for ensuring that all directors have appropriate knowledge of the current items at the meetings and that all directors are provided with sufficient, complete and reliable information.

All directors are required to devote sufficient time to handling affairs of the Company. The management will hold formal and informal meetings with all directors from time to time to provide sufficient timely information so that directors can make informed decisions. All board members have the right to inspect the documents and relevant information of the Board. Directors, including independent non-executive directors, visit various branches frequently and understand the Company's operations. The Company has arranged relevant training for the

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directors to be conducted by professional advisers, such as lawyers and accountants, from time to time.

In 2006, the Board held five full board meetings for discussion and approval of

important matters such as the 2005 annual results, the 2006 interim results, and the first and third quarter results for 2006. Set forth below is an overview of the attendance during the year by the board members at various meetings:

| | | Board meetings | | | Audit Committee meetings | | | Remuneration Committee meetings | | | Independent Board Committee meetings | | |
|---------------------------------------|------------------------------------|---------------------------------|---|------------|---------------------------------|-----|------------|---------------------------------|-----|------------|--------------------------------------|-----|------------|
| | | No. of meetings during his term | | | No. of meetings during his term | | | No. of meetings during his term | | | No. of meetings during his term | | |
| Position | | Attendance | | Percentage | Attendance | | Percentage | Attendance | | Percentage | Attendance | | Percentage |
| Existing Directors¹ | | | | | | | | | | | | | |
| Chang Xiaobing | Chairman | 5 | 5 | 100% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Shang Bing | Executive director | 4 | 5 | 80% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Tong Jilu | Executive director | 5 | 5 | 100% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Li Jianguo | Executive director | 3 | 4 | 75% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Yang Xiaowei | Executive director | 2 | 4 | 50% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Li Zhengmao | Executive director | 4 | 4 | 100% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Li Gang | Executive director | 3 | 4 | 75% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Zhang Junan | Executive director | 3 | 4 | 75% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Lu Jianguo | Non-executive director | 4 | 4 | 100% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Wu Jinglian | Independent non-executive director | 5 | 5 | 100% | 4 | 4 | 100% | 1 | 1 | 100% | 1 | 1 | 100% |
| Shan Weijian | Independent non-executive director | 3 | 5 | 60% | 3 | 4 | 75% | N/A | N/A | N/A | 1 | 1 | 100% |
| Cheung Wing Lam, Linus | Independent non-executive director | 5 | 5 | 100% | 4 | 4 | 100% | 1 | 1 | 100% | 1 | 1 | 100% |
| Wong Wai Ming | Independent non-executive director | 5 | 5 | 100% | 4 | 4 | 100% | N/A | N/A | N/A | 1 | 1 | 100% |
| Past Directors² | | | | | | | | | | | | | |
| Li Qihong | Executive director | 1 | 1 | 100% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Lo Wing Yan, William | Executive director | 1 | 1 | 100% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Ye Fengping | Executive director | 1 | 1 | 100% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Liu Yunjie | Non-executive director | 1 | 1 | 100% | N/A | N/A | N/A | 1 | 1 | 100% | N/A | N/A | N/A |

Notes:

1. Mr. Wong Wai Ming was appointed as independent non-executive director on 19 January 2006. Ms. Li Jianguo, Mr. Yang Xiaowei, Mr. Li Zhengmao, Mr. Li Gang and Mr. Zhang Junan were appointed as executive directors on 1 April 2006. Mr. Lu Jianguo was appointed as non-executive director on 1 April 2006.
2. Mr. Li Qihong, Mr. Lo Wing Yan, William and Mr. Ye Fengping resigned as executive directors on 1 April 2006. Mr. Liu Yunjie resigned as non-executive director on 1 April 2006.

The Board of Directors has provided clear guidelines for delegation of powers and responsibilities to the management. Some important matters have to be decided by the Board of Directors, including, but are not limited to, long-term objectives and strategies, expanding new businesses, annual budget, initial announcements on quarterly, interim and final results, dividends, major banking facilities, major acquisitions and sales, major connected transactions and annual internal control evaluation.

(2) Committees under the Board of Directors

The Company has established two committees under the Board of Directors, namely the Audit Committee and the Remuneration Committee. All committees have written charters and are provided with sufficient resources to perform their duties. The committees will report their decisions or recommendations to the Board of Directors after meetings.

(a) Audit Committee

The Audit Committee comprises four independent non-executive directors, namely Mr. Wong Wai Ming, Mr. Wu Jinglian, Mr. Shan Weijian and Mr. Cheung Wing Lam, Linus. Mr. Wong Wai Ming currently serves as the Chairman of the committee. All members of the committee have complied with the "independence" requirements in respect of members of the audit committee according to applicable

regulatory requirements. Two of the members of the committee were investment bankers with expertise and experience in financial management. The Chairman of the committee is a chartered accountant with expertise and experience in accounting and financial management.

The major responsibilities of the Audit Committee include: considering and approving the appointment, resignation and removal of external auditors and their fees; reviewing the quarterly, interim and annual financial statements; coordinating and discussing with external auditors any problems and comments raised during the statutory audits; reviewing any correspondence from the external auditors to the management and responses of the management; and reviewing the relevant reports concerning the internal control procedures of the Company. The committee meets at least four times each year, and assists the Board of Directors in its review of the financial statements in order to ensure effective internal controls and efficient auditing.

The Audit Committee is also responsible for supervising the external auditors who would report directly to the committee, pre-approved the audit and non-audit services to be provided by the

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independent auditors, and determined the possible impact of non-audit services on auditors' independence.

PricewaterhouseCoopers is the independent auditors of the Company overseas and in the PRC and has acted as the

auditors for the Company for five consecutive years (from 2002 to 2006). Apart from auditing services, it also provides audit-related services, tax and other services. The remuneration paid/payable to the independent auditors for provision of services in the year is as follows:

| Items | Note | 2006 RMB in thousands |
|------------------------|------|--------------------------|
| Audit services | (a) | 120,323 |
| Audit-related services | (b) | 11,272 |
| Taxation services | | 87 |
| Others | | 40 |
| Total | | 131,722 |

(a) Audit services in 2006 include reporting on the Company's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of the United States of America ("SOX 404").

(b) Audit-related services in 2006 include advisory services in respect of the Company's internal control.

The Audit Committee also discussed with the management the timing and procedures for the rotation of principal partners of the audit firm responsible for the audit of the Company and reviewing the documents related thereto.

The committee also reviewed the progress reports from the internal audit departments. The committee has carried out its duties effectively, and enabled the Board of Directors to better monitor the financial condition of the Company, supervise the internal control over financial reporting of the Company, ensure the integrity and reliability of the financial statements of the Company and prevent significant errors in the financial statements as well as to

ensure compliance with, the relevant requirements of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), the U.S. Federal securities laws and the New York Stock Exchange with respect to the Audit Committee.

(b) Remuneration Committee

The Remuneration Committee consists of two independent non-executive directors, Mr. Wu Jinglian and Mr. Cheung Wing Lam, Linus, and one non-executive director, Mr. Lu Jianguo. The Chairman of the Remuneration Committee is Mr. Wu Jinglian.

The major functions of the Remuneration Committee include: considering and approving the remuneration plans proposed by the management, remuneration scheme of executive directors and the Company's share option scheme. The Remuneration Committee conducts performance appraisals for the Chief Executive Officer and determines his year-end bonus pursuant to the performance target contract entered into between the Board of Directors and the Chief Executive Officer. The Chief Executive Officer is responsible for the performance appraisal and determination of performance-based year-end bonuses for the other members of the Company's management. The results are subject to the review of the committee. The committee meets at least once a year.

(3) Preparation of Financial Statements and Financial Reporting

Directors understand that the Companies Ordinance has provided that directors shall prepare financial statements for each year to give a true and fair view of the financial position of the Company as at the balance sheet date of the year and profits or losses and cash flows of the Company for the

year ended the balance sheet date. In preparing financial statements, directors shall:

- (a) Select and consistently apply appropriate accounting policies and to make fair and reasonable judgments and estimates in applying the selected accounting principles;
- (b) State reasons for any serious deviations from the accounting principles; and
- (c) Prepare financial statements on a going concern basis, unless it is inadvisable to assume that the Company and the Group will continue to operate in the foreseeable future.

Directors are also responsible for keeping appropriate accounting records to protect the assets of the Company and taking appropriate procedures to prevent and investigate whether there are any fraud and other irregularities.

For financial reporting, the management shall provide explanations and information to the Board of Directors so that the Board of Directors can evaluate the merit of the financial and other information that need to be approved. The Board of Directors has also made a balanced, clear and explicit evaluation of the position and performance of the Company in the communication with shareholders.

(4) Internal Control

Internal control systems have been designed to monitor and facilitate the accomplishment of the Company's business objectives, safeguard its assets against loss and misappropriation, ensure maintenance of proper accounting records for the provision of reliable financial information, ensure compliance with applicable laws, rules and regulations, and to provide reasonable, but not absolute, assurance against fraud and errors.

The Board has overall responsibility for maintaining sound and effective internal control systems. For the year ended 31 December 2006, the Board, pursuant to the Code Provision, conducted an annual review of the effectiveness of the internal control systems of the Company and its subsidiaries based on thorough discussions with and review of evaluation report prepared by the Company's Internal Control Office, as well as frequent meetings with the Company's management. The review covered all material aspects of our control functions, including financial, operational and compliance controls and risk management functions.

In order to strengthen its internal control systems, the Company has undertaken the following measures, which include:

- (a) establishing internal control framework, identifying key controls in business operations;

- (b) improving information management system to enhance the internal control and reinforcing control over the financial reporting process;
- (c) establishing financial management responsibility systems and implementing more comprehensive responsibility systems, so as to ensure the accuracy in the reporting of financial data;
- (d) strengthening the internal audit and monitoring controls over our branches;
- (e) establishing an enterprise risk management system and risk evaluation procedures;
- (f) strengthening the period-end financial reporting process, including enhancing the training of our finance and accounting personnel with respect to US Generally Accepted Accounting Principles and Hong Kong Financial Reporting Standards; and
- (g) further formalizing anti-fraud and whistleblower policies and procedures.

The Company has achieved significant progress in 2006, including:

- (a) reinforcing internal control framework; improving business process and key controls to better monitor and mitigate risk, as well as formulating long-term implementation plan on internal control;

- (b) continuing to engage external consultants to advise on overall IT general controls and application controls of the Company's information technology system while upgrading the accounting systems, developing and applying the consolidated financial reporting system;
- (c) implementing and refining the procedures to monitor the financial reporting and book closing procedures at branch level and upgrading business performance review system;
- (d) formulating internal audit policies and procedures to further clarify the requirements and procedures of internal audit department;
- (e) continuing to improve the effectiveness of the Company's internal control over financial reporting based upon the framework established in *Internal Control-Integrated Framework* issued by Committee of Sponsoring Organizations of the Treadway Commission ("COSO"); establishing the Risk Control Office, identifying control responsibility; formulating risk management assessment methodology and organizing risk assessment at branch level;
- (f) hiring additional accredited accounting professionals with experience in financial reporting

and familiarity with the Hong Kong and international accounting practices; and

- (g) promoting code of ethics for employees; establishing and implementing company-wide anti-fraud policies; establishing enhanced anti-fraud and whistleblowing mechanisms.

The Company has an internal audit department of over 150 staff, with officers stationed at various provincial branches. The internal audit department reports directly to the Audit Committee and is independent of the Company's daily operation and accounting functions. Internal audit focuses on efficiency, accountability and internal controls. It contributes to the strengthening of operation and management of the Company, improvement in internal control systems, mitigation of operational risks and increases in economic efficiency. Internal audit also enhances the monitoring of the operation and financial management of the Company, so that the internal audit system can further satisfy the requirements of internal controls.

(5) Code of Ethics for Directors and Employees and Procedures for Securities Transactions by Directors

The Company has set out relatively comprehensive standards governing

the acts of officers and general staff, including the Code of Ethics for Management and Senior Officers and Code of Ethics for Employees which are available at the Company's website (www.chinaunicom.com.hk). The Company has also prepared the Procedures for Dealing of Securities by Directors in accordance with Model Code for Securities Transactions by Directors of Listed Companies, as set out in Appendix 10 of the Listing Rules. The Company had made specific enquiries and all directors confirmed that they had complied with the relevant code for securities transactions during the year ended 31 December 2006.

Information Disclosure Controls and Procedural Standards

In order to further enhance the Company's system of information disclosure, and to ensure the truth, accuracy, completeness and timeliness of our public disclosures, the Company has adopted and implemented Information Disclosure Controls and Procedural Standards, pursuant to which: an Information Disclosure Review Committee, led by the management, was established by the Company; procedures were established to compile and report the Company's financial and operational statistics and other information and to review the periodic reports. Detailed implementation rules were also established for the verifications on the

contents and requirements of financial data, especially the upward declarations from the individual responsible officers at the subsidiary, branch and major department levels of the Company, which in turn standardized the fundamental principles of information disclosures that need to be complied with.

Requirements under Section 404 of the Sarbanes-Oxley Act (hereinafter referred to as the "Sarbanes-Oxley Act")

It has been strongly emphasized by the Company on the compliance with the requirements under Section 404 of the Sarbanes-Oxley Act. The relevant section of the Act requires the management of the non-US issuers with equity securities listing in the US securities market to issue reports and representations as to the internal control over financial reporting. Section 404 of the Sarbanes-Oxley Act is effective from the first financial reporting year ending on 15 July 2006 or after for large non-US issuers like the Company.

The relevant internal control report needs to stress the management's responsibility for establishing and maintaining an adequate and effective internal control over financial reporting. The management are required to assess, as of the year end the effectiveness of the company's internal control over financial reporting. The Company's external auditors are required to attest to, and report on, management's evaluation of the

Company's internal control over financial reporting.

In order to enhance its corporate governance standards in accordance with the requirements under the Sarbanes-Oxley Act, many initiatives have been undertaken since 2004 to enhance the Company's internal control system. A steering committee led by the Company's Management was established in 2005, and the committee formulated the proposals for the establishment of the internal control system. Efforts made in 2006 include implementing the modifications to the internal control system and organizing Company-wide staff training. Through our continuing efforts, including enhancing the internal control procedures over the business processes, identifying key risk controls, finalizing on the accountability system for risk management and establishing a detailed documentation system, the Company aims to establish and maintain a comprehensive internal control system to better manage the risks arising from the commercial activities of the Company and the financial reporting system and thereby ensure the effectiveness of internal control over financial reporting.

Under section 404 of the Sarbanes-Oxley Act, the Company's management is required to conduct an assessment of the effectiveness of the Company's internal control over financial reporting as of 31 December 2006. The management is

currently in the process of finalizing the management's report on internal control over financial reporting, which is being audited by the Company's independent registered public accounting firm, PricewaterhouseCoopers. Management's assessment report and PricewaterhouseCoopers' audit report will be included in the Company's annual report on Form 20-F to be filed with the United States Securities Exchange Commission by 30 June 2007.

Summary of Significant Differences between the Corporate Governance Practices of the Company and the Corporate Governance Practices Required to be Followed by U.S. Companies under the New York Stock Exchange's Listing Standards

As a company listed on both the Hong Kong Stock Exchange and the New York Stock Exchange, the Company is subject to applicable Hong Kong laws and regulations, including the Listing Rules and the Hong Kong Companies Ordinance, as well as applicable U.S. federal securities laws, including the U.S. Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002. The Company is also subject to the listing standards of the New York Stock Exchange to the extent they apply to non U.S. issuers. However, as a non-U.S. company, the Company is not

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required to comply with all of the corporate governance listing standards of the New York Stock Exchange.

In accordance with the requirements of Section 303A.11 of the New York Stock Exchange Listed Company Manual, the Company has posted on its Internet website (www.chinaunicom.com.hk) a summary of the significant differences between the Company's corporate governance practices and those required to be followed by U.S. companies under the New York Stock Exchange's listing standards.

Corporate Transparency

Apart from continuing to publish reports to shareholders and investors semi-annually and annually in accordance with HKFRS and/or US GAAP on the Company's business and financial condition, the Company discloses major unaudited operational statistics and financial data quarterly, and announces operational statistics monthly in order to further enhance the transparency of the Company and the understanding by investors of the business operations of the Company. In addition, the Company submits annual reports and regular reports to the United States Securities and Exchange Commission pursuant to the requirements of the US federal securities laws.

Upon announcement of interim and annual results or major transactions, the Company immediately holds analyst and press

conferences. During such conferences, the management of the Company interacts directly with fund managers, investors and journalists to provide them with relevant information and data. The management of the Company replies accurately and thoroughly to questions raised by analysts and journalists. Real-time web-castings and video-recordings are also arranged for the said conferences in order to have wide dissemination of information and messages. Through announcements and press releases, the Company disseminates the latest information on the significant business development and the management of the Company to media in a timely and accurate manner. Through the holding of road shows in different countries all over the world, the management of the Company meets and communicates with key persons from investment funds and institutional investors to let them have an accurate understanding of the performance achieved by the Company in different aspects like business operation and management etc.

The website of the Company is also updated constantly to provide investors and the public with information and news relating to the Company in all respects.

Since 2004, the Company has also disclosed the annual total remuneration for each of the directors in the annual report for the year.

Investor Relations

The investor relations department of the Company is responsible for the provision of information and services required by investors, the provision of responses to their inquiries, and the maintenance of timely communications with investors and fund managers. The Company also arranges from time to time “reversed road shows” for analysts and investors. These activities allow them to have good opportunities to communicate with and understand the management, general staff and subscribers of the Company and its operating subsidiaries, visit different places of business or show rooms of provincial branches, and thus enable analysts and investors to understand timely and thoroughly the status of different aspects of the Company’s business development.

Shareholders’ Interests

The Company has attached much importance to the annual general meeting. Executive directors and representatives of the audit committee and the remuneration committee attend the meetings and treasure the opportunities provided by the meetings to communicate with shareholders. At the

general meeting, the chairman of the meeting proposes individual resolutions in respect of each separate matter. All matters at the annual general meeting are resolved by polls and the relevant procedures are explained at the meeting. The Company also appoints external scrutineers to ensure that all votes are counted and recorded as appropriate, and publishes the poll results in a Chinese and an English newspaper in Hong Kong.

The Company also held an extraordinary general meeting in December 2006, which approved matters relating to the Company’s continued connected transactions. In order to protect the interests of independent shareholders, the Board of Directors specially established an Independent Board Committee which made recommendations to independent shareholders after consulting with an independent financial adviser. All resolutions at the extraordinary general meeting were resolved by polls. The management of the Company announced immediately the verified poll results during the meeting and disclosed the same to the public in a Chinese newspaper and an English newspaper in Hong Kong on the following day.